

AMENDED IN ASSEMBLY JULY 14, 2009

AMENDED IN ASSEMBLY JULY 1, 2009

AMENDED IN SENATE MAY 12, 2009

SENATE BILL

No. 813

Introduced by Senator Kehoe

February 27, 2009

An act to add Sections 50517.12, 50650.8, 50862.6, and 50896.4 to the Health and Safety Code, relating to community development.

LEGISLATIVE COUNSEL'S DIGEST

SB 813, as amended, Kehoe. Community development: grant and loan securitization *pilot* programs.

Under existing law, there are programs providing assistance for, among other things, multifamily housing, emergency housing, farmworker housing, homeownership for very low and low-income households, and downpayment assistance for first-time home buyers administered by the Department of Housing and Community Development. The Joe Serna, Jr. Farmworker Housing Grant Program provides grants and loans for the construction or rehabilitation of housing for agricultural employees and their families or for the acquisition of manufactured housing to address and remedy the impacts of displacement of farmworker families. The CalHome Program provides grants and loans to enable low- and very low income households to become or remain homeowners. The Building Equity and Growth in Neighborhoods (BEGIN) Program is established to make grants and loans to be used for downpayment assistance to qualifying first-time home buyers of low- and moderate-incomes purchasing newly constructed homes in a BEGIN project. Existing federal law establishes

the HOME Investment Partnership Act, which allocated funds to states and local governments to eligible states to among other things, expand the supply of affordable housing. The department is the state agency responsible for the state's allocation of HOME funds.

This bill would make legislative findings and declarations relating the securitization of second mortgage loans with funds made available by the department. The bill would require, for the purposes of each of the above programs, a grant or loan for an individual household in a mutual self-help housing program to include a deferred payment grant or loan, respectively, due on sale or transfer, or when the property ceases to be owner-occupied, as specified. The bill would require the department to implement the special grant and loan securitization *pilot* programs through regulation exempt from a specified provision of existing law. *The bill would specify that the pilot programs apply only to specified counties, except that the department may include, in its discretion, other counties in the pilot programs.* The bill would provide that the authority for the special grant and loan securitization *pilot* programs expire on January 1, 2014.

The bill would also make legislative findings and declarations as to the necessity of a special statute.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) Many first-time homeowners assisted by nonprofit
- 4 corporations to achieve homeownership through mutual self-help
- 5 construction have been challenged by a combination of costs of
- 6 land purchased before current market conditions arose, low
- 7 appraised values of proposed homes due to foreclosures and related
- 8 economic conditions, and the costs of land, government fees, and
- 9 construction.
- 10 (b) These nonprofit corporations and potential homeowners are
- 11 eligible for financial assistance under the Joe Serna, Jr. Farmworker
- 12 Housing Grant, CalHome, Building Equity and Growth in
- 13 Neighborhoods (BEGIN), and HOME programs administered by
- 14 the Department of Housing and Community Development.

1 (c) As a result of present market conditions, financing to pay
2 all costs often exceeds the depressed level of current home values.
3 Therefore, neither adequate construction lending nor sufficient
4 permanent financing can be obtained.

5 (d) Authorizing an alternative but financially sound means of
6 securing second mortgage loans made with funds available through
7 the Department of Housing and Community Development would
8 provide housing for hard-working households, stimulate the
9 construction labor and materials industry, and improve
10 neighborhoods and areas with empty lots.

11 (e) Because self-help first-time home buyers usually remain in
12 their homes for extended periods of time, an alternative
13 unconventional means of securing loans by utilizing future
14 increases in value when market conditions stabilize should be
15 employed for at least five years in order to allow for orderly
16 resumption and continuation of these first-time homeowner
17 programs.

18 SEC. 2. Section 50517.12 is added to the Health and Safety
19 Code, to read:

20 50517.12. (a) For purposes of this chapter, a grant for an
21 individual household in a mutual self-help housing program shall
22 include a deferred payment grant due on sale or transfer, except
23 as provided herein, or when the property ceases to be
24 owner-occupied, which shall be payable only from the difference
25 between the appraised value at the time that the grant made
26 pursuant to this chapter is recorded and the appraised value at the
27 time repayment is due.

28 (b) The amount of the deferred payment grant specified in
29 subdivision (a) shall not be treated for any purposes as affecting
30 the loan-to-value ratio of the financing on the property at the time
31 the grant is made, and the amount of the grant shall not exceed the
32 difference between the loan secured by a first deed of trust and the
33 total development cost, including an amount attributable to sweat
34 equity as approved by the department, for the home and property
35 secured by that grant.

36 (c) If necessary to achieve the housing costs required by this
37 chapter and qualify for a first mortgage, the department shall
38 approve the deferred payment grant authorized by this section in
39 addition to grants or loans otherwise authorized by this chapter.
40 However, the latter grants or loans shall not be secured only by

1 the increase in equity but, instead, shall be payable upon sale or
2 transfer after satisfaction of other approved liens on the property.

3 SEC. 3. Section 50650.8 is added to the Health and Safety
4 Code, to read:

5 50650.8. (a) For purposes of this chapter, a loan for an
6 individual household in a mutual self-help housing program shall
7 include a deferred payment loan due on sale or transfer, except as
8 provided herein, or when the property ceases to be owner-occupied,
9 which shall be payable only from the difference between the
10 appraised value at the time that the CalHome loan is recorded and
11 the appraised value at the time repayment is due.

12 (b) The amount of the deferred payment loan specified in
13 subdivision (a) shall not be treated for any purposes as affecting
14 the loan-to-value ratio of the financing on the property at the time
15 the CalHome loan is made, and the amount of the deferred payment
16 loan shall not exceed the difference between the loan secured by
17 a first deed of trust and the total development cost, including an
18 amount attributable to sweat equity as approved by the department,
19 for the home and property secured by that loan.

20 (c) If necessary to achieve the housing costs required by this
21 chapter and qualify for a first mortgage, the department shall
22 approve the deferred payment loan authorized by this section in
23 addition to loans otherwise authorized by this chapter. However,
24 the latter loans shall not be secured only by the increase in equity
25 but, instead, shall be payable upon sale or transfer after satisfaction
26 of other approved liens on the property.

27 SEC. 4. Section 50862.6 is added to the Health and Safety
28 Code, to read:

29 50862.6. (a) For purposes of this chapter, a loan for an
30 individual household in a mutual self-help housing program shall
31 include a deferred payment loan due on sale or transfer, except as
32 provided herein, or when the property ceases to be owner-occupied,
33 which shall be payable only from the difference between the
34 appraised value at the time that the BEGIN loan is recorded and
35 the appraised value at the time repayment is due.

36 (b) The amount of the deferred payment loan specified in
37 subdivision (a) shall not be treated for any purposes as affecting
38 the loan-to-value ratio of the financing on the property at the time
39 the BEGIN loan is made, and the amount of the deferred payment
40 loan shall not exceed the difference between the loan secured by

1 a first deed of trust and the total development cost, including an
2 amount attributable to sweat equity as approved by the department,
3 for the home and property secured by that loan. If necessary to
4 achieve the housing costs required by this chapter and qualify for
5 a first mortgage, the department shall approve both the deferred
6 payment loan authorized by this section in addition to loans
7 otherwise authorized by this chapter. However, the latter loans
8 shall not be secured only by the increase in equity but, instead,
9 shall be payable upon sale or transfer after satisfaction of other
10 approved liens on the property.

11 SEC. 5. Section 50896.4 is added to the Health and Safety
12 Code, to read:

13 50896.4. (a) For purposes of this chapter, a loan for an
14 individual household in a mutual self-help housing program shall
15 include a deferred payment loan due on sale or transfer, except as
16 provided herein, or when the property ceases to be owner-occupied,
17 which shall be payable only from the difference between the
18 appraised value at the time that the HOME loan is recorded and
19 the appraised value at the time repayment is due.

20 (b) The amount of deferred payment loan specified in
21 subdivision (a) shall not be treated for any purposes as affecting
22 the loan-to-value ratio of the financing on the property at the time
23 the HOME loan is made, and the amount of the deferred payment
24 loan shall not exceed the difference between the loan secured by
25 a first deed of trust and the total development cost, including an
26 amount attributable to sweat equity as approved by the department,
27 for the home and property secured by that loan.

28 (c) If necessary to achieve the housing costs required by this
29 chapter and qualify for a first mortgage, the department shall
30 approve both the deferred payment loan authorized by this section
31 in addition to loans otherwise authorized by this chapter. However,
32 the latter loans shall not be secured only by the increase in equity
33 but, instead, shall be payable upon sale or transfer after satisfaction
34 of other approved liens on the property.

35 SEC. 6. (a) The Department of Housing and Community
36 Development shall implement the special grant and loan
37 securitization *pilot* programs authorized by Sections 2, 3, 4, and
38 5 of this act through regulations that shall be exempt from Chapter
39 3.5 (commencing with Section 11340) of Part 1 of Title 2 of the
40 Government Code, following at least one consultation with the

1 program sponsors who receive, and represent the homeowners
2 benefiting from, the special grant or loan.

3 (b) The special grant and loan securitization *pilot* programs
4 established by this act shall apply to any existing contract with a
5 local government or nonprofit entity for funds under the Joe Serna,
6 Jr. Farmworker Housing Grant Program (Chapter 3.2, (commencing
7 with Section 50517.5) of Part 2 of Division 31 of the Health and
8 Safety Code), CalHOME Program (Chapter 6 (commencing with
9 section 50650) of Part 2 of Division 31 of the Health and Safety
10 Code), Building Equity and Growth in Neighborhoods (BEGIN)
11 (Chapter 14.5 (commencing with Section 50860) of Part 2 of
12 Division 31 of the Health and Safety Code), or HOME program
13 (Chapter 16 (commencing with Section 50896) of Part 2 of
14 Division 31 of the Health and Safety Code) and shall authorize
15 homeowner loans or grants with funds that have not yet been
16 expended for mortgage, grant, or take-out financing on behalf of
17 eligible households.

18 (c) (1) *The special grant and loan securitization pilot programs*
19 *authorized by Sections 2, 3, 4, and 5 of this act shall only apply*
20 *to Butte County, Merced County, Riverside County, Santa Clara*
21 *County, Sonoma County, and Yuba County.*

22 (2) *Notwithstanding paragraph (1), the Department of Housing*
23 *and Community Development may, in its discretion, include other*
24 *counties in the special grant and loan securitization pilot programs*
25 *in order to allow self-help housing projects to continue.*

26 (e)

27 (d) The authority for the special grant and loan securitization
28 *pilot* programs authorized by this act shall expire on January 1,
29 2014, unless a later enacted statute, that is enacted before January
30 1, 2014, deletes or extends that date.

31 *SEC. 7. The Legislature finds and declares that there are*
32 *unique circumstances concerning the housing needs in Butte*
33 *County, Merced County, Riverside County, Santa Clara County,*
34 *Sonoma County, and Yuba County necessitating the enactment of*
35 *the procedures contained in this act. It is therefore declared that*
36 *a general law cannot be made applicable within the meaning of*
37 *Section 16 of Article IV of the California Constitution, and that*
38 *the enactment of this act as a special law is necessary.*

O